Consumer Patterns, Preferences, And Shopping Habits in Taiwan

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(Également disponible en français sous le titre, Habitudes de consommation, préférences et habitudes d'achat des consommateurs à taïwan)

Prepared by the
Market Research Centre
and the
Canadian Trade Commissioner Service

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Market Support Division (TCM)
Department of Foreign Affairs
and International Trade
E-mail: mrc@dfait-maeci.gc.ca

- FaxLink Domestic service (613-944-4500);
- DFAIT Internet site (http://www.dfait-maeci.gc.ca)

Trade Evaluation and Analysis Division (TEAD)
Agriculture and Agri-Food Canada
Contact: Jim Lowe
Telephone: (613) 759-7652
Fax: (613) 759-7505
E-mail: lowej@em.agr.ca

ATS Online
(http://ats.agr.ca)

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CONSUMER PATTERNS, PREFERENCES, AND SHOPPING HABITS IN TAIWAN

Team Canada Inc • Équipe Canada inc

EXECUTIVE SUMMARY

This report focusses on the consumer patterns, preferences, and shopping habits of Taiwanese specifically in relation to the food market sector. The report is intended to provide additional knowledge for food exporters examining the Taiwan market, to supplement information contained in other market research reports. It is not intended as an analysis of all food market sectors or opportunities.

The patterns, preferences and shopping habits of Taiwanese consumers have changed a great deal in the past two decades. These changes have come about partly as a result of the country's developing economy. As Taiwan's economy shifts towards the high-tech and service industries, low-paying, labour-intensive manufacturing jobs, as well as agricultural employment, have declined. As a result, a significant middle class has developed, and disposable incomes are up in all income brackets. Changes in the average household are also affecting the average consumer. Smaller families, dual incomes, and busier lifestyles have increased demand for convenience food and convenience retail. With this shift in consumer purchase habits, traditional retail venues are experiencing fierce competition as hypermarkets and convenience stores offer significantly lower prices and greater product variety.

Changes in the retail sector have also assisted in a sophistication of diets. Stemming from a proliferation of supermarkets, hypermarkets, and convenience stores, and increased levels of disposable income, consumers are demanding higher calorie, higher protein foods. Advertising and marketing campaigns are introducing new products, and finding a receptive consumer base in the younger population changing the consumption and shopping patterns of younger consumers. The introduction of Western-style convenience foods and health foods has assisted in altering the dietary habits of most young Taiwanese. The restaurant industry has also benefited a great deal from demographic and societal shifts, as have fast food restaurants, which are now commonplace in all of the major cities. With an aging population and more single people in the workforce, and both groups possessing greater disposable income levels, the demand for restaurant and convenience foods has greatly expanded.

TABLE OF CONTENTS

EXECUTIVE SUMMARY iii

MARKET DEMOGRAPHICS AND CONSUMPTION 1
- Demographics 1
- Income and Other Consumption Factors 3
  - Credit Cards 4
  - Asian Financial Crisis 4
  - Consumer Groups 5
  - Domestic Capabilities 6
- Current and Recent Consumption Trends 6
  - Consumption trends 7
- Trends Specific to Canadian Food Exports 9

DISTRIBUTION SECTOR TRENDS 10
- Traditional Retail 11
- Cooperatives 11
- Modern Retail 12
- Food service 13
- Marketing Practices and Promotion 13
- Implications for the Canadian Exporter 14

PROMOTIONAL EVENTS 16

KEY CONTACTS AND SUPPORT SERVICES 17

OTHER REFERENCE MATERIAL 19

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MARKET DEMOGRAPHICS AND CONSUMPTION

Demographics

The population of Taiwan has doubled since 1950; it currently stands as 22 million, representing the world's second-highest population density (at 585 people per square kilometre). Roughly 60% of the population lives in the northern region (which encompasses the island's capital, Taipei), 22% in the southern region, and 18% in the central region. Most people live in and around the areas surrounding Taiwan's major urban centres, particularly Taipei, which has a population of 6 million. Other major cities include Kaohsiung, in the southeastern region, with a population of 2.6 million; Taichung, in the central region, with a population of 2.3 million; and Tainan, in the southwest, with a population of 1.8 million.

Taiwan's urban and suburban population currently comprises 56% of the island's total population, representing a 50% increase over 1990 totals. The island's urban population continues to increase, although urbanization is slowing. The cities are becoming overcrowded, and land prices and rent are very high. As a result, the cities are not as appealing to younger generations as they once were.

Although young in comparison with Canada's, Taiwan's population is aging rapidly, with 64% of the population over 20 years of age. The age structure in Taiwan is as follows: 0-19 years: 36%, 20-39 years: 36%, 40-59 years: 18%, and 60 years and over: 10%. The middle-age group (40-65 years old) is the fastest-growing age segment; experts believe that within five years this group will become the most important new consumer group. The average life expectancy in Taiwan is 75 years, and males comprise roughly 52% of the population.

At the beginning of the 1990s, the island's annual population growth rate slowed to a near neutral rate of 0.9%. Despite government attempts to increase the birth rate, this slow growth rate is expected to continue, with the population expected to reach 22.6 million by 2000. Urbanization will continue, although it will be new regions, rather than Taipei, that see significant growth. The rising cost of land will lead to increased development of suburban areas, and cities such as Kaohsiung and its surrounding

regions will develop rapidly. This area has relatively cheap land, abundant rental space, and the financial resources to continue its rapid development.

The most recent census states that 70% of Taiwanese homes have more than four people; however, family sizes are shrinking as it becomes less common for extended families to share one home. This trend has greatly increased the number of households in Taiwan. Other trends affecting the increase in households are the increase in the number of later marriages for both men and women, and a high divorce rate (one in five marriages end in divorce), resulting in more single people living on their own before and after marriage.

The entry of women into the workforce has played a large part in the development of the consumer behaviour in Taiwan. Women in Taiwan have recently begun entering the work force in greater numbers than ever before. Women continue to be hindered from entering the workforce in greater numbers by various barriers, such as the lack of available child care. While 42% of Taiwanese women are active in the workforce, this number is deceivingly low, as a large, unreported, number of women work for family businesses. Increased numbers of women in the workplace have assisted in developing the convenience food market. Traditionally, meals were prepared by women, and the extended female family. With the move towards single family homes this practice is becoming less frequent. Single people, smaller homes, busier lifestyles, and less food preparation time have had a significant effect on the demand for convenience and value-added food markets.

Taiwan has three major ethnic groups, although Taiwanese makes up the vast majority with 84% of the population. Mainland Chinese comprise 14%, and aborigine 2% of the population. Taiwan has a series of religious beliefs that are practised by 93% of the population. These beliefs are a mixture of Buddhist, Confucian, and Taoist which are followed to a different degree by the various sectors of the population. Mandarin Chinese is the official language of Taiwan, although Taiwanese is spoken by 74% of the population and Hakka dialects are also spoken.

Taiwan has traditionally maintained a large immigrant labour force of roughly 200 000. This labour is sourced from surrounding Asian nations, and is generally involved in the manufacturing industry. However, the effects of the recent economic crisis, and the overall shift in Taiwan's economy have forced a large portion of the foreign workers to seek employment elsewhere. During the peak of the economic crisis the government restricted accesses for immigrant workers because of 10 year highs in the employment rate.

Income and Other Consumption Factors

Shifts in the focus of Taiwan's economy have had a significant impact on the average wages of the population. Most of the low-paying labour intensive jobs that once characterized Taiwan's industrial economy have relocated in the wake of rising labour and land costs. Taiwan's economy has shifted to high-tech production and a variety of service industries. These types of jobs offer higher wages, and combined with government legislated increases to minimum wage, the average person in Taiwan has seen significant increases in disposable income.

Minimum wage for most sectors of the economy has recently been raised to over $9 000 annually (NT$198 000),[1] and the average per capita income for Taiwan's workforce of 9.2 million is over $18 000, the third highest in Asia. The average wages for the inhabitants of Taiwan's rural regions are significantly lower than urban wages, which explains the disparity of the wage figures. People in the rural regions of Taiwan are generally involved in the agricultural industry, working on small family farms (about one hectare), earning lower incomes than urban workers. However, the cost of living in rural regions is significantly lower than most urban areas, and 80% of farmers supplement their incomes with non-farming activities which comprise 60% of their total annual income.

The disposable income of the average Taiwanese home increased by 10% annually from 1995 to 1998, and this growth rate is expected to continue into the year 2000 and beyond. Per capita disposable income was $7 586 in 1994, up from $4 805 in 1990. The rise in dual income families is expected to continue to affect both the average per capita disposable income and average household incomes in a positive way. Food sales currently comprise 55% of an average consumer's retail expenditure. While consumer expenditure on food continues to grow, the rate has slowed considerably since 1991. The average consumer in Taiwan spends $2 650 on food annually.

Per capita consumer expenditure has grown steadily throughout the 1990s, and annual growth rates of 5% are expected to continue through the year 2000. Retail sales are expected to increase by 5% annually over the same time period. This is due to increasing wages, as well as trends in savings. Taiwanese have traditionally saved a large portion of their income, however, savings have declined during the 1990s, and now comprise less than 17% of total disposable income, down from over 20% in 1990.

Trends in income and saving are affecting the spending habits of most Taiwanese

[1] All currency amounts are in Canadian funds unless otherwise stated. The source for the currency conversion rates for the Canadian dollar, the new Taiwan dollar, and the American dollar are the average annual rates based on the United States Federal Reserve Bank of St. Louis, September 1999.

consumers, however, other factors have also aided in increasing retail spending. While average wages continue to increase, the average work week has begun to decrease. The government recently introduced legislation that brought the work week down from 5.5 to 5.25 days. The average consumer now has an increased amount of time to spend shopping, and the weekend has evolved as the new traditional shopping period. A recent survey stated that shopping was the average Taiwanese's second favourite leisure activity, next to watching television.

Credit Cards

Credit cards are increasing in popularity in Taiwan, and their presence has changed consumer shopping habits. Younger generations of Taiwanese are major cardholders, and their spending habits differ greatly from the more traditional older generations. Taiwan's younger generations are willing to buy large ticket items and intangibles on credit. Taiwan's older generations have traditionally saved a significant portion of their income and purchase big ticket items only when they are able to afford the item.

Credit card spending in Taiwan reached $15.2 billion in 1997, a 40% increase over 1996. Credit cards accounted for 5% of total private consumption spending in 1996, up from 0.6% in 1986. The number of credit cards issued per year has increased by an average of 40% since 1989 to total 12 million cards in 1997. In fact, experts predict that with the planned reduction and elimination of most service charges and fees, credit cards will be issued in greater numbers than ever before.

Asian Financial Crisis

Taiwan experienced an economic slowdown as a result of the financial crisis which hit southeast Asia in 1997 and 1998, however, compared to its Asian neighbours, Taiwan emerged from the crisis relatively unscathed. Taiwan continues to maintain the world's third-largest foreign exchange reserve which has been actively used to shore up Taiwan's currency. Taiwan's inflation remained relatively constant at 1% throughout the crisis, and unemployment was up only slightly to 2.9%. GDP growth reached 5% in 1998, the lowest total in 13 years. Due to the recent earthquakes in Taiwan, the predicted return to GDP growth rates above 6% for 1999 will not occur, however the economy is resilient, and the slowdown is not expected to last long.

Taiwan's export market suffered during the economic crisis; however, domestic consumption and demand remained high. Experts remain optimistic about Taiwan's future growth because of Taiwan's strong base of small and medium-size companies, and due to the government's sound, well-implemented economic planning.

Consumer Groups

The catalyst behind Taiwan's retail growth has been its younger consumers. While older generations have been slow to embrace imported products, new product formats, and retail venues, Taiwan's youth have been quick to purchase new products. Taiwan's youth are increasingly educated, and have been exposed to more western style foods through travel, education, and television marketing. This change in the attitudes of young Taiwanese, coupled with their busier lifestyles, has increased the market for all types of convenience foods, and more convenient retail formats.

Taiwan's younger generations are the target audience of most advertising in Taiwan. They have the highest average incomes, and have shown a strong propensity towards modern western-style goods. Due to the difficulties of being accepted into a Taiwanese university many students go abroad to study. The vast majority go to the United States, and return home with a good knowledge of North American products which has facilitated the introduction of many western goods to Taiwan.

The middle-aged group in Taiwan has largely been ignored by modern food producers and retailers. This group has not been receptive to most advertising targeted directly at their age group, and they have not taken to western styled foods or imports to the degree that younger generations have. The consumer segment has shown a general distrust of name brand producers, and only purchase a name brand for the product guarantee and implied quality. In the same fashion, the older Taiwanese consumer rarely considers the life-cycle of a product when considering price. Western exporters have been discouraged by the Taiwanese unwillingness to consider purchasing a product with a high price unless there is an immediate pay-off. This may have little impact on food choices, although it does illustrate the apparent difficulties in addressing the needs of what will be a very important consumer group. The middle-age consumer sector is expanding rapidly, and will provide many opportunities for producers who address these consumers' needs and dispel their misconceptions.

There are a number of common consumer traits in the Taiwanese market. The average Taiwanese consumer has very little brand loyalty, due the constant introduction of new products and varieties. However, the consumer has a high level of brand awareness. There appears to be very little consumer trust in manufacturers because of the large number of illegal manufacturers, and the low quality of many products on the market. For this reason, a recognizable brand name is sought out by most consumers. The prestige associated with product image also affects purchase decisions. Many young Taiwanese buy expensive or high-end products for the image associated with the product, rather than the quality. The same holds true for modern retail facilities, where the store name is as important as to consumers as product selection.

The purchase of food products is very similar to general purchase decisions, however, price dictates most purchase decisions for everyday food items. Freshness is also very important, which is a large factor in the continued success of wet-markets. Taiwanese consumers continue to shop every day for perishable food items whenever possible. In a wet-market environment freshness and price are the key determinants in a purchase decision. In a modern retail environment luxury food items, processed foods, and items that are new to the market benefit greatly from a well advertised and recognizable name brand.

Domestic Capabilities

The domestic capability to supply most agricultural products will be increasingly limited due to fewer farms and less arable farmland. Farmland, like most land in Taiwan, is increasing in value. In most cases, farmland has become too valuable for crop production, and many of Taiwan's part-time farmers have begun selling their land as they approach retirement age. The government is attempting to limit this practice, however, the rapidly developing cities of Taiwan are placing increasing pressure on numerous small farms.

Taiwan produces large amounts of rice, sugar, peanuts, pork, and dairy products. The production of these products generally meets consumer demands, and allows for some exports. However, with the increased demands of the food processing industry, shortages of many domestically produced products are not uncommon. The severity of the typhoon season also affects the demands of the Taiwanese market for fresh fruit and vegetables, grains and other crops. In addition, a recent outbreak of foot-and-mouth disease amongst the pig population has caused shortages in Taiwan which are expected to continue over the next few years as the supply of healthy swine replenishes. As Taiwan continues its efforts to join the World Trade Organization, import markets slowly will open to more products, allowing some penetration into markets previously closed to foreign suppliers.

Current and Recent Consumption Trends

The ever increasing affluence of the average consumer, combined with busier lifestyles and shrinking families, has significantly altered the diets and shopping habits of a majority of Taiwanese consumers. American advertising and television are influencing purchase decisions and the dietary preferences of younger generations, and these consumer preferences are proliferating amongst other consumer groups.

Wet markets and traditional stores are convenient and familiar to most Taiwanese, however, they do not offer the selection of the new retail stores or the one-stop approach to shopping. Busier lifestyles are limiting the amount of time consumers have

to spend shopping each day. While this may sacrifice daily freshness, generally consumers do not have the time to visit their local market everyday because wet-markets keep relatively short business hours within a traditional work day. Many consumers are now making a series of weekly trips to various retail outlets.

Restaurants are also benefiting from new lifestyles. Increasing affluence and busier lifestyles have not only made frequenting restaurants more common, they have also made allowances for children more common, and children are spending a large portion of their allowance in fast-food restaurants.

Consumption trends

All food items have shown consumption growth in Taiwan since 1991, except for rice. Younger generations in particular are limiting rice in their diets. This is due to a shift in preference towards a more western style diet for reasons of taste or convenience. The growing affluence and changing diet of the Taiwanese consumer is illustrated by the significant increase in consumption of bread, bakery products, and various meats. In fact, daily protein intake in Taiwan increased from 80.2 grams per capita in 1984 to 90.37 grams in 1990. Daily per capita caloric intake increased from 2 810.9 to 3 019.52 over the same period.

- Rice:

  Consumption has declined significantly over the past two decades. This was largely a result of increased wages and the subsequent sophistication of diets. The decline in rice consumption is most evident in younger generations. In 1995, per capita rice consumption was 75 kg, down significantly from 140 kg in the mid-1970's. Taiwan's rice needs are supplied domestically.

- Wheat:

  Taiwan is heavily reliant on imports to meet its wheat and grain needs, with the exception of feed grains. The consumption of wheat has increased moderately in the past two decades due to the popularity of bakery products, fast food, and snacks. Consumption reached 42 kg per capita in 1995, up from 34 kg in the mid-1970's.

- Meats:

  Taiwan has traditionally consumed large amounts of pork, however since the mid-1970s, per capita pork consumption has almost doubled to reach

40 kg. Poultry consumption continues to grow, and has reached 28 kg per capita. Taiwan's pork and poultry needs are met domestically. However, 90% of Taiwan's beef needs are imported. Beef consumption is expected to grow considerably over the next few years, and currently stands at 3 kg per capita. Fast food restaurants, such as Church's Chicken, KFC, McDonald's, and Burger King have greatly assisted in increasing the consumption of both chicken and beef, and a variety of regional fast food outlets have assisted in the increased consumption of all meats. Taiwan has partially opened its markets to imports of some meat products as a result of the dramatic consumption growth experienced in recent years.

- Dairy Products:

In keeping with the trend towards natural products, milk and dairy have experienced considerable growth in per capita consumption. Butter consumption has had the single largest effect on per capita dairy consumption. Ice cream has seen significant growth with the introduction of a number of multinational companies. Cheese products have benefited greatly from fast food restaurants, and it is predicted that because of the recent expansion of pizza restaurants throughout Taiwan, cheese consumption will increase significantly. Taiwan has a relatively large dairy industry which meets a majority of its dairy needs.

- Seafood:

Seafood is a traditional staple of the Taiwanese diet. Taiwan does supply many of its own seafood needs, however, a majority of seafood is imported. Average wages have had a significant influence on the seafood sector by increasing imports, as well as the type of seafood imported. Imports of more expensive seafoods are up, and exporting countries with high quality seafood are increasing their share of the total seafood market.

- Fruits and vegetables:

Taiwan's fruit and vegetable needs change from year to year depending on the severity of typhoon damage. However, Taiwan is dependant on imports for most of its fruit and vegetable needs. Shifting dietary habits towards natural products have had a significant effect on the consumption of fresh fruits and vegetables. Consumption of fruits and vegetables has increased 45% from 1990, with fresh apples leading the sector in growth. Taiwan has traditionally had high consumption rates of fruits, and leads

the world in per capita consumption with 125 kg per capita.

- Snacks:

  Taiwan has a large, and well developed domestic snack food market, however, recently, snack consumption has increased significantly due to the introduction of western-styled snacks. Potato chips lead the snack food sector in value sales, and a variety of holidays and national celebration have helped contribute to increases in seasonal candy sales. Chocolate confectionery is almost exclusively supplied by imports. Busier lifestyles, and limited food preparatory time have also contributed to increased snacking.

- Beverages:

  While alcoholic and non-alcoholic beverages have seen significant increases in consumption in the 1990s, imports peaked in 1997. Beer consumption has increased significantly in Taiwan and leads the sector in growth, although spirits lead the sector in value. Expansion in restaurant outlets, various bars, and Karaoke Television clubs (KTV's) has greatly increased the potential for future growth in the alcoholic beverage sector. Wine is new to Taiwan, and experienced considerable growth due to the expansion in upscale restaurants, however demand has slowed dramatically recently. Wine imports in the first half of 1999 were two-thirds lower than 1997 first half imports.

  Non-alcoholic beverages have experienced growth in most sectors. The perception of fruit juice as a natural product has greatly increased consumption. Mineral water imports have declined recently, however.

Trends Specific to Canadian Food Exports

The key trend amongst Taiwanese consumers is the westernization of lifestyles and diets. Western styled foods are in constant demand, and supply problems are frequent. This trend is strongest with younger generations, but is slowly proliferating amongst older consumer segments.

A popular trend in food products in Taiwan are health oriented and natural products. This trend is illustrated by the popularity of diet products, and the ever increasing consumption of bottled waters. Marketing a product as natural or healthy may assist in sales.

Canadian companies entering the food and beverages sectors in Taiwan will face intense international competition that has swiftly developed in recent years. The United States is a key supplier in most food sectors in Taiwan, although a number of nations in Southeast Asia have begun to increase their share of the import market in a number of sectors. Australia, in particular, has benefited from the increases in Taiwanese consumer wealth, and an overall relaxation of Taiwan's trade regulations. Many companies have established production facilities in Taiwan in order to better meet the needs of the market, and to avoid a number of tariffs and duties.

DISTRIBUTION SECTOR TRENDS

The distribution sector in Taiwan has undergone a number of significant changes that will affect food imports. Both retail stores and food distributors have altered their operations in order to compete in an increasingly crowded market place. Most large chain stores have created in-house distribution systems which have limited the impact of wholesalers who once dominated food distribution. Wholesalers are not obsolete, but their presence has been limited to suppling niche market products. Wholesalers are still important in rural areas and with independents. Imported products generally rely on agents and sales representatives for product promotion and to gain entry into Taiwan. Canadian suppliers are encouraged to establish relations with those individuals and companies that have a solid understanding of Taiwan's retail sector. It is also important that potential sales partners have well established industry contacts.

Since the late 1980's Taiwan's consumers have been introduced to a wide variety of new outlets for the purchase of agri-food products. These outlets have had a significant effect on shopping habits and the expansion in product variety has also contributed to shifts in dietary habits. Convenience stores first appeared on the Taiwanese market in 1980, and supermarkets and fast food restaurants appeared in the middle 1980's. One of the most successful new retail outlets in Taiwan are hypermarkets. The first hypermarkets appeared at the end of the 1980's, and since that point modern retail outlets have captured 25% of the market from traditional type retail outlets, and their growth continues tc be in excess of total traditional market growth.

Taiwan's retail industry is separated into traditional and modern retail sectors. The traditional sector is made up of mom and pop stores, wet markets, and government warehouses. The modern retail sector includes supermarket, convenience stores, and hypermarkets. Modern retail sales are increasing by 15% annually, however, traditional stores continue to dominate the retail industry with 75% of food sales. One key trend in modern retail is larger stores. While modern retail controls only 25% of food sales, it occupies 39% of the total retail space in Taiwan, whereas, traditional retail occupies a disproportionate 61% of total retail space. Convenient locations, and the perception of

stocking only fresh quality products, have kept traditional stores dominant in the food retail industry.

Traditional Retail

There are a reported 400 000 retail outlets in Taiwan, the majority of which are traditional retail outlets. However, it is estimated that as many as 100 000 stores and small stalls operate without the permission of authorities. Traditional stores are generally small with very little retail space, and offer little product variety, which has maintained price as the deciding factor in most purchase decisions.

Wholesale markets which specialize in unprocessed foods are prevalent in Taiwan. There are 158 of these agricultural markets which are divided between the sale of seafood, fruits and vegetables, and livestock. These markets are generally reserved for large bulk buyers for the supply of other retail outlets, such as wet markets.

Wet-markets continue to be the preferred retail venue of most older generations in Taiwan because of their convenient location, and the traditional perception of the wet-market as a meeting place where people go to see friends, and catch-up on local news. There is an atmosphere of familiarity that is appealing to older generations because of the personal relationships with store owners that have developed over years of patronage. All age groups frequent wet-markets and local stores for their fresh food needs, however, as modern retail develops these visits become less frequent. It is estimated that 80% of fresh fruits and vegetables are still purchased from wet-markets.

Cooperatives

Taiwan's traditional retail sector is developing, and modernizing through the creation of cooperative grocery stores. Prices are generally 25% lower than other retail outlets, and purchases are exempt from Taiwan's value-added tax. Cooperatives are similar to supermarkets in size and offerings, although access is limited. They are run by farming associations, and carry both imports and domestic products. It is estimated that 25% of Taiwanese frequent co-operatives on a regular basis.

The government operates 500 warehouse retail outlets which offer a similar product range as hypermarkets. Access to these stores is limited to government employees, military personnel, and teachers. Prices are generally discounted by 25% over supermarket and hypermarket prices.

Modern Retail

Taiwan's modern retail sector has been heavily influenced by Japanese, European, and American stores. In fact, Taiwan's largest hypermarket chains are owned by Japanese and European multinationals, and the largest convenience store chain is 7-Eleven. Modern retail stores are competing for roughly 25% of Taiwan's consumer retail expenditure, and the competition is increasing as new stores open annually. Experts predict that most modern retail sectors will reach their saturation point within the next few years.

Department stores are the dominant modern retailer. Taiwan's 50 department stores control 40% of modern retail sales. However, department stores are having difficulty competing against hypermarkets. While 20 new department stores and shopping malls are planned for the millennium, their consumer base is expected to continue declining. Department stores are insignificant players in food retailing.

Hypermarkets have replaced supermarkets as the preferred outlet for non-perishable food, and are challenging wet-markets for market share in the fresh food sector. In fact, supermarkets have been unable to compete with hypermarkets and wet markets, and currently there is only one national chain, Wellcome, with 200 stores total. Local independent supermarkets continue to operate, although experts predict that very few will survive the ongoing competition in the retail sector. Taiwan's largest hypermarket chains are Makro, Carrefour, and RT-Mart. Price Costco recently opened its second store in Taiwan.

Younger generations are not only the catalyst behind new product introduction, they are also largely responsible for the success of modern retail. They demand more from their retail outlets than their senior counterparts. Modern retailers have developed a service oriented retail sector which is one of the primary tools in competing for consumer loyalties. Taiwan's younger consumers are seeking increased product variety, lower prices, and the perception of a clean safe shopping environment. In fact, competition has forced retailers to provide a variety of additional services, such as delivery services, in-store post offices, couriers, and banks. Over all, most Taiwanese are seeking the freshness and convenience of wet-markets with the clean modern appearance of western-style stores.

Convenience stores experienced explosive growth during the late 1980s and early 1990s, and are now approaching their saturation point with almost 5 000 outlets nation wide and a density of one store per 0.55 kilometres. However, they continue to be very popular, and have begun to introduce a wide variety to attract more costumers. Convenience store chain 7-Eleven is the dominant retailer with over 2 000 outlets. It is estimated that over 1 million people a day visit a 7-Eleven in Taiwan. Convenience

stores generally see their highest customer volume in the morning hours before work, and in the late evening hours after other venues have closed. Mark-up in convenience stores is generally 35-40%.

The urbanization and subsequent move of a large number of Taiwan's urban population to the rapidly developing suburbs may have a significant effect on the retail industry. Hypermarkets in particular are expected to benefit from the development of large suburbs. Rent prices and a lack of available land left early hypermarkets to refurbish old warehouses and factories in industrial parks for their first outlets which were far from any established communities. However, new hypermarkets in suburbs are located in central positions far from the nearest wet-markets.

Food service

Food consumption away from the home has increased significantly since the mid-1980s. It is estimated that 70% of the population eats lunch outside of the home everyday, and other meals outside of the home are experiencing significant growth as well. This is due as much to the increases in disposable income as to the introduction of a variety of new food outlets. Fast food restaurants and more formal restaurants have experienced significant increases in outlets and sales since McDonald's arrival in 1984.

Many prominent chains have a sizable presence in Taiwan led by McDonald's 139 outlets. There are a number of western chains, however, there are an equal number of regional chains which offer traditional Asian food in a fast-food format. Western chains have also expanded their existing menus to incorporate regional preferences. For example, pizza chains now offer a variety of toppings, including a number of fruits and seafood.

Since the beginning of the 1990s, a number of restaurant chains have also entered the Taiwanese market. Restaurants such as, Pizza Hut and Ponderosa, have offered an affordable dining out experience which has become quite popular in Taiwan.

Many upscale restaurants are located in Taiwan's largest centres which may provide opportunities for exporters. These restaurants are predominately located in four and five star hotels.

Marketing Practices and Promotion

Print media is the leading channel for product advertisement in Taiwan, accounting for 40% of all advertising spending. Taiwan has 31 daily newspapers and over 200 other types of newspapers with a daily circulation of over 4 million. Taiwan has three major

dailies, all which feature colour advertising: Central Daily News, China Times, and United Daily News. Magazines account for 7% of all advertising spending, and the more than 3 000 different magazines specialize in advertising processed foods and household items.

Television and radio do not play as important a role in product advertisement in Taiwan as they do in North America. However, advertisement spending on these channels has increased quickly. Television spending accounts for 33% of all advertisement spending and radio accounts for 7%, although radio spending is deceiving. Transistor radios are very cheap in Taiwan, and over 15 million are owned by the population. Advertisement on Taiwan's 178 radio stations has the potential to reach a large audience. Television advertising is an important avenue for food and beverage products, as these types of commercials make up a majority of advertisements. There are three national networks in Taiwan and 6 million television sets. All television advertisements are closely regulated by the government, however, satellite television is currently unregulated and has had a significant effect on younger generations by contributing to a general westernization through programming and advertisements.

Packaging plays a large part in most food purchase decisions. Initially, Taiwanese consumers look at price as the main determinant in purchase decisions. This is due to the traditional retail venues limited product variety. However, with the expansion of product lines, the variety of imported products, and larger retail venues, consumers look to packaging for differentiation. Taiwanese consumers want quality, or the perception of quality, and packaging, more than advertising, affects their in-store decisions. Taiwanese consumers are willing to pay for quality, and for their preferred brands. However, establishing brand loyalty will take time as the market is constantly being inundated with new products. Western food products have experienced considerable difficulty with product image as most packaging is not perceived to portray an image of quality. Japanese products have had considerable success with innovative packaging and supportive advertising.

Implications for the Canadian Exporter

The westernization of the Taiwanese population continues with the introduction of cable television and satellite television. While younger generation are the catalyst for market growth and product introduction, their influence is having an effect on older age groups. Long-term shifts in dietary habits are expected to continue, with higher daily protein and caloric intakes. The supply of imports and western-style goods rarely meets demand, and with the continuing competition in the retail industry, new and consistent suppliers will be needed.

The food production industry in Taiwan has shifted some of its production to western-

styled goods. However, the market for traditional products continues to be strong, which will limit the capabilities of the domestic industry to switch production. Taiwan's dependence on food ingredient imports for the production of western-styled goods limits the production industries' ability to produce these same goods. This production limitation will ensure dependence on many imported western goods, both processed and unprocessed, which are not produced by the Taiwanese food industry.

Canadian food exporters should be aware that Taiwan has not been ignored by foreign producers. There are many competitors in Taiwan, and the market is constantly being introduced to new products and name brands. Regional agri-food products, from the surrounding Asian nations, are having considerable success due in large part to their proximity to Taiwan. The freshness demanded by the Taiwanese consumer requires that exports reach the Taiwanese market quickly.

PROMOTIONAL EVENTS

Event / Description	Organizer
Taipei International Food Show 15-18 June 2000 (Annual) Taipei World Trade Centre Exhibition Hall Taipei, Taiwan Assorted foods & beverages, condiments & additives, bakery products, foreign exhibits, Image area, trade media	China External Trade Development Council (CETRA) CETRA Exhibition Department 5 Hsin-yi Rd., Section 5 Taipei, Taiwan 10548 Tel: (886-2) 2725-1111 Fax:(886-2) 2725-1314 Internet: www.taipeitradeshow.org.tw

KEY CONTACTS AND SUPPORT SERVICES

Canadian Government Contacts

Canadian Trade Office
365 Fu Hsing North Rd, 13th Floor
Taipei 10483, Taiwan
Tel: (886-2) 2547-9500
Fax: (886-2) 2712-7244
Internet: www.ctot.org.tw

Department of Foreign Affairs and International Trade
Market Support Division
125 Sussex Dr.
Ottawa, ON K1A 0G2
Tel: 1-800-267-8376 or (613) 995-1773
Fax: (613) 944-0050

Department of Foreign Affairs and International Trade
Korea and Oceania Division
125 Sussex Dr.
Ottawa, ON K1A 0G2
Tel: (613) 995-1183
Fax: (613) 996-1248

Agriculture and Agri-Food Canada
Sir John Carling Bldg.
930 Carling Ave.
Ottawa ON K1A 0C5
Contact: John Smiley
Tel: (613) 759-7632
Fax: (613) 759-7506
E-mail: smileyj@em.agr.ca
Internet: www.agr.ca

Business Development Bank of Canada
#400, 5 Place Ville Marie
Montreal, QC H3B 2G2
Tel: 1-888-463-6232
Fax: (514) 283-0617
Internet: www.bdc.ca

Canadian Commercial Corporation
50 O'Connor St., 11th Floor
Ottawa, ON K1A 0S6
Tel: 1-800-748-8191 or (613) 996-0034
Fax: (613) 995-2121
Internet: www.ccc.ca
E-mail: info@ccc.ca

Canadian Food Inspection Agency
59 Camelot Drive
Nepean, ON K1A 0Y9
Tel: (613) 225-2342
Fax: (613) 228-6653
Internet: www.cfia-acia.agr.ca
E-mail: cfiamaster@em.agr.ca

Export Development Corporation
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel: (613) 598-2500
Fax: (613) 237-2690
E-mail: export@edc4.edc.ca
Internet: www.edc.ca

Taiwan Government Offices in Canada

Far East Trade Service, Inc.
Vancouver Office
#650-409 Granville ST.
Vancouver, BC V6C 1T2
Tel: (604) 682-9501
Fax: (604) 682-9775
E-mail: fetsvan@uniserve.com

Taiwan Trade Centre, Montreal
Place Montreal Trust
1800 McGill College Ave., Suite 2108
Montreal, QC H3A 3J6
Tel: (514) 844-8909
Fax: (514) 844-9246
E-mail: ttc.mtl@minet.ca

Taiwan Government Offices

Board of Foreign Trade
1 Hu Kou St.
Taipei, Taiwan
Tel: (886-2) 351-0271
Fax: (886-2) 331-5387

Bureau of Animal and Plant Health Inspection and Quarantine
4 Chi Nan Rd
Section 1, Taipei, Taiwan
Tel: (886-2) 351-2141
Fax: (886-2) 393-2324

Central Trust of China
49 Wu Chang St.
Section 1, Taipei, Taiwan
Tel: (886) 2- 3111151
Fax: (886) 2-3118107

Customs Authority
Director General, Directorate General of Customs
85 Hsin-Sheng South Rd
Section 1, Taipei, Taiwan
Tel: (886-2) 351-2875
Fax: (886-2) 711-4166

National Laboratories of Foods and Drugs, Department of Health
161-2 Kun Yang St.
Nanking District
Taipei, Taiwan
Tel: (886-2) 785-6283
Fax: (886-2) 389-9860

Central Bank of China
2 Roosevelt Rd
Section.1, Taipei, Taiwan
Tel: (886) 2-3936161
Fax: (886) 2-3973750

Chambers of Commerce and Industry Associations

Asia-Pacific Foundation of Canada
999 Canada Place, Suite 666
Vancouver, BC V6C 3E1
Tel: (604) 684-5986
Fax: (604) 681-1370
Has extensive databases on relationships between Canada and Asia.

China External Trade Development Council (CETRA)
4th Floor, 333 Keelung Rd
Section 1, Taipei, Taiwan
Tel: (886-2) 738-2345
Fax: (886-2) 757-6653
Telex: 21676 CETRA

International Trade Association of the Republic of China
8F 148 Chung Hsiao E. Rd
Section 4, Taipei, Taiwan
Tel: (886-2) 772-6252
Fax: (886-2) 751-2411
Telex: 13227 ITAC

Taiwan Importers' and Exporters' Association (not including Taipei and Kaohsiung)
14th Floor, 2 Fu Hsing N. Rd
Taipei, Taiwan
Tel: (886-2) 773-1155
Fax: (886-2) 773-1159

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Asian Business Intelligence. "Taiwan Market for Frozen Meals (Western Style)," December 1996.

Asian Business Intelligence. "Taiwan Market for Prepared Frozen Food (Chinese Style)," January 1997.

ERC Statistics International PLC. *Confectionery in the Pacific Rim: The 1997 Survey*, 1997.

Euromonitor. "The Market for Confectionery in Southeast Asia - South Korea and Taiwan," October 1996.

National Trade Estimate 1998. *Taiwan*. http://www.ustr.gov/reports/nte/1998/contents.html.

Tradeport. *Food Market Reports*, 1997.

United States Department of Agriculture. *Taiwan Food Market Reports*. September 6, 1996.

United States Department of Agriculture. *Taiwan: AMP Market Information Report - 1997 (3)*, July 15, 1997.

OTHER REFERENCE MATERIAL

Print

Curry, Jeffrey. *Passport Taiwan*. World Trade Press, San Rafael, CA, 1998. WorldPress@aol.com

Team Canada Market Research Centre. *The Snack Food Market in Taiwan*, July 1999.

Useful Internet Sites

Agriculture and Agri-Food Canada: **http://www.agr.ca/**

Agri-Food Trade Service: **http://atn-riae.agr.ca/public/menu-e.htm**

Asia Pacific media links: **http://www.neog.com/asianow/links1.html**

Canada Business Service Centres: **http://www.cbsc.org**

Canadian-Taiwan Business Association: **http://www.ctot.org.tw/e/ctba.html**

China External Trade Development Council (CETRA): **http://cetra.tptaiwan.org.tw**

Department of Foreign Affairs and International Trade: **http://www.dfait-maeci.gc.ca**

Economic Development Corporation: **http://www.edc.ca**

ExportSource: **http://exportsource.gc.ca**

Governments on the WWW : Taiwan: **http://www.gksoft.com/govt/en/tw.html**

InfoExport: **www.infoexport.gc.ca**

Montgomery Network (International trade show organization): **http://www.montnet.com/**

Political and Economic Risk Consultancy: **http://www.asiarisk.com**

Regional industrial profiles for Asia Pacific: **http://aspac.kpmg.com/asiashphere**

Search engine for Taiwan and Southeast Asia: **http://www.sinica.edu.tw**

Tradeport: **http://www.tradeport.org/**